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Office Memorandum • UNITED STATES GOVERNMENT

TO : S/P - Mr. Nitze

FROM : CA - Mr. Clubb

SUBJECT: Projected State Department Response to NSC Action No. 420 d, January 17, 1951

DATE: May 17, 1951

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OFFICE OF DIRECTOR
S/P

CA considers that IE No. 18 "An Estimate of the Probable Chinese Vulnerability, Soviet Reaction, and Western European Reaction to Certain U.S. Courses of Action in China", as prepared by OIR under date May 7, 1951, is not responsive to the NSC action under reference which proposes as a problem "the effect upon China and on other Eastern countries of continued U.S. support of Chiang Kai-shek", and would not be suitable for use as a State Department reply to the NSC action in question without fundamental reconstruction.

It will be noted that the problem considered by the IE paper under reference had specific relation to Soviet and Western European reaction to certain hypothetical U.S. courses of action, including particularly "U.S. logistic support for an attempted Nationalist invasion of mainland China", but was not directed to the Asiatic reaction to a hypothetical situation centering on U.S. political support of the Chiang Kai-shek regime on Formosa. The treatment given the problem in the Intelligence Estimate of May 7 naturally reflects its terms of reference, and the subject of the NSC inquiry, that is, the matter of reaction in Asia to the line of U.S. action laid down in the NSC postulate, is touched upon only in passing.

There is of course in the Intelligence Estimate in question material which could be incorporated into the State Department's reply to the NSC. CA believes, however, as indicated above, that the use even of selected material from IE No. 18 would still leave before the State Department the task of preparing what would be in effect a new paper in response to the NSC request.

CA has points of difference with the Intelligence Estimate of May 7, 1951. Those points of difference need not be stated here (a separate memorandum will be prepared for FE), but it might be stated that a decision to submit the OIR estimate to NSC in satisfaction of the NSC request would still find CA in disagreement with some of the statements contained therein.

CC: FE - Mr. Merchant

- Mr. Emerson

OIR - Mr. Stelle

FE:CA:OEclubb:la

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DEPARTMENT OF STATE A/CDC/MR
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May 7, 1951

China

U - Mr. Webb

The attached paper, an Estimate of the Chinese Vulnerability, Soviet Reaction, and Western European Reactions to Certain U.S. Courses of Action in China, has been developed by our Estimates Group. It is transmitted for your information and retention.

PA

W. Park Armstrong, Jr.

*I wish
this kind
of estimate
would be
given to
the Senate
Committee
even if
it can't
be given
to the
public*

CC: S - Mr. Dulles
S - Mr. Brophy
S/A - Mr. Jossup
G - Mr. Matthews
S/P - Mr. Nitso
EUR - Mr. Perkins
FE - Mr. Rusk
S/ISA - Mr. Cabot

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I. E. No. 18

Copy No. 7

AN ESTIMATE OF THE PROBABLE CHINESE VULNERABILITY,
SOVIET REACTION, AND WESTERN EUROPEAN REACTION
TO CERTAIN U.S. COURSES OF ACTION IN CHINA.

An Intelligence Estimate

Prepared by

The Estimates Group

Office of Intelligence Research

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This is an intelligence report;
nothing in it is to be construed
as a statement of U.S. or Depart-
mental policy or a recommendation
of any given policy.

May 7, 1951

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STATEMENT OF THE PROBLEM

1. To estimate the probable Chinese vulnerability, Soviet reaction, and Western European reaction to:

- (a) US logistic support for an attempted Nationalist invasion of mainland China;
- (b) US pressure for economic sanctions against, and/or a US naval blockade of, Communist China;
- (c) US aerial bombing of Communist China.

CONCLUSIONS

2. Chinese Vulnerability. An attempted Nationalist invasion of the Chinese mainland would, according to NIE-10 involve difficulties which even US logistic support might not overcome; it would further appear from NIE-10 that, at best, such an invasion would "for a time occupy considerable Communist military strength". Establishment of a blockade and intensification of economic sanctions would, after a period of time, increasingly strain the economy of the Chinese Communist regime but there are accommodations which the regime could make to partially compensate these difficulties. If, in addition to these measures, U.N. forces should extend aerial bombardment to China and Manchuria, the strains experienced by the regime would be compounded in proportion to the extent, duration, and effectiveness of these attacks.

3. Soviet Reaction. The Soviet Union's minimal reaction to application of the US measures under discussion would be to increase its support of the Peiping regime. Although the extent of this support would depend on the effectiveness of the US measures, it would probably be of the scale and nature, including the unofficial use of Soviet military forces, that the Kremlin considered necessary to prevent the loss of Korea or China from the Communist camp. The USSR would not be deterred from what it considered to be necessary support of China by risk of global war.

Maximal Soviet reaction would be to retaliate against the US measures by the inception of hostilities against the United States. In view of the Soviet Union's security sensitivities and its commitments

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to Peiping under the Sino-Soviet pact, a reaction of this nature must be considered a distinct possibility, particularly if the US measures include air attacks on China proper and if Peiping exerts strong pressure on Moscow.

4. Western European Reaction. The Western European countries would oppose vigorously any US proposals for a naval blockade of the Chinese coast and for the invasion of the Chinese mainland by Nationalist troops. Under certain conditions, however, they would acquiesce in the imposition of economic sanctions and, in retaliation for Communist air attack on UN forces in Korea, to the bombardment of Chinese lanes in Manchuria. Should the US adopt these measures unilaterally, the Western European countries would probably give only passive support. If the US action resulted in a serious curtailment of present US plans to aid and re-inforce the NATO forces, the Western European governments would probably adopt, within limits, measures for the appeasement of the Soviet Union, and public opinion would reflect a considerable extension of the sentiment for neutralism. If US action led to a Soviet attack on US forces in the Far East, the Western European countries would press the US strongly not to retaliate by waging war on the Soviet Union, since they would know that they could not indefinitely avoid being involved in such a war.

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DISCUSSION

5. Chinese Vulnerability.

(a) Nationalist Invasion. - The Chinese Nationalist Government on Taiwan controls tactical ground forces numbering 392,000 men, 305,000 of whom are on Taiwan itself and the remaining 87,000 of whom are deployed on islands off the Chinese mainland coast and in the Formosa Strait. This tactical force is supported by 45,000 service and miscellaneous troops. It is the conclusion of Nationalist Intelligence Estimate No. 10, entitled "Communist China" and published January 17, 1951, that given "adequate logistic support a large portion of the /Chinese Nationalist/ forces could be landed on the mainland." However, this same report asserts that "There is considerable doubt . . . as to the reliability and effectiveness of the Nationalist forces under present Nationalist leadership. The morale and combat efficiency of these forces could doubtless be substantially improved under US training and supervision." The same estimate also states that "there is considerable question as to whether the Nationalists could mobilize popular support on the mainland, or command the effective cooperation of present guerrilla forces. They might, however, be able to capitalize on existing discontent with the Communist regime. Such an operation would for a time occupy considerable Communist military strength."

The initial popular reaction to a Nationalist landing would probably be a "wait-and-see" attitude to measure the potentialities of Nationalist forces and to judge the capabilities of the Communists to carry out reprisals against anti-Communist sympathizers. If once there were evidence of success, an invasion might be expected to capitalize on existing discontent with the Communist regime, and might conceivably gain the active support of large anti-Communist elements. This would be especially true in Southern China, where controls are not consolidated and where the populace is traditionally hostile to the Northerners who comprise much of the regime.

But the fact that Kuomintang leadership has been discredited in the minds of most mainland Chinese would seriously limit popular willingness to support a Kuomintang return to China proper. US support of such an invasion would more firmly align the US with this discredited regime and would allow hostile propaganda to exploit its anti-American theme, further and more effectively by charges of imperialist aggression against China. As a consequence, the Chinese reservoir of good will toward the

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US developed through decades of contact would be reduced further and the nationalistic and anti-foreign sentiments of the Chinese might well be stimulated to the point where they would tend to unite against the invader. Nevertheless, an invasion that appeared to be increasingly successful would tend to offset this adverse effect and would increasingly receive support, particularly if accompanied by an intense propaganda campaign appealing to lingering pro-American sentiment and playing upon the theme of freeing China from its Communist masters and by Nationalist demonstration of intent to recognize and take into account the social and political aspirations of the Chinese people.

(b) Blockade and/or Economic Sanctions. At the present time, there is effective control over Western exports to China of purely military commodities, including petroleum, and of all types of commodities from the US; however, the Chinese Communists are still able to import from Western powers such commodities as chemicals, rubber, raw cotton, and machinery. If economic sanctions against the Chinese Communists were intensified -- i.e., if Western powers applied the same restrictions against exports to China as are presently applied by the US -- Chinese Communist imports would be considerably reduced, but it would still be possible for them to obtain substantial imports from the Iron Curtain countries and from those Asian countries not cooperating in the application of sanctions. If an effective naval blockade were instituted, Chinese Communist imports from areas other than the USSR could be reduced to the relatively small volume of commodities that could be brought in overland or smuggled into the country. Even so, an effective blockade would not materially affect military capabilities and would have to extend over a year before it would significantly affect the civilian economy.

Over the short run, a sharp reduction in, or virtual curtailment of, imports into China such as might be associated with a naval blockade would result in: (1) a gradual cut-back in employment and production in industries such as textile and rubber which depend to a considerable extent on imported raw materials, qualified by possible increased domestic raw cotton output and probable large stockpiles of rubber; (2) considerable difficulties in almost all industries because of high prices and scarcity of certain materials, in particular of replacement parts for existing machinery and of certain chemicals such as sulfur, caustic soda, acids, and organic compounds. Some of these shortages could be circumvented by the increased use of domestically produced substitutes and by a reduction in quality of output. But, in general, urban production would gradually decline, with a resulting deterioration in internal trade and a reduction in the government's capabilities for mobilizing rural surpluses.

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Over the longer period, the Chinese Communist program of industrial reconstruction would be seriously undermined and existing popular unrest would probably be intensified.

Trade controls without a blockade would have even less serious effects on the Chinese economy, as India, Pakistan, and parts of South-east Asia probably would not cooperate, and the Chinese Communists would thus continue to obtain some of their most important requirements.

(c) Aerial Bombing. We are not in a position to assay the military consequences of an aerial bombing campaign against China. However, it is clear that if, in addition to the measures discussed above, UN forces should extend aerial bombing to China and Manchuria, the strains experienced by the regime would be compounded in proportion to the intensity, persistence, and success of these attacks.

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6. Soviet Reaction.

Soviet reaction to any and all of the four contemplated courses of action would be based on the consideration that the loss of Korea, and even more the collapse or disaffection of the Chinese Communist regime, would (1) threaten the security of the Soviet Far East, (2) disrupt Soviet plans for the Communist conquest of the rest of Asia, and (3) greatly damage Soviet worldwide prestige.

The specific steps that Moscow would take in the face of the projected US moves would depend on a variety of factors.

Intelligence estimates have for some time accepted the possibility that the USSR may at any time precipitate global war. If Soviet policy has in fact reached this stage, the extension of US military action against China would probably be seized upon by the Kremlin as an excuse for launching general hostilities. The Soviet rulers would probably reason that a conflict arising over the defense of China would be one for which they could give a "plausible explanation" to the people of the Soviet Union and the world generally. It must be noted that intelligence is lacking on which to base a judgement as to whether Soviet rulers have in fact reached a decision to launch general war.

Even if the Kremlin did not use US action against China as an excuse to implement an independently arrived at decision to launch general war, there is a definite possibility that the USSR would feel that it had no choice, from the standpoint both of security and of commitments to China, but to counter US action by inception of hostilities against the US. Assuming US operations were based on Japan and assuming that the Peiping regime interpreted the operations as constituting a state of war, the USSR is definitely obligated under terms of the Sino-Soviet pact to come to Chinese assistance with all means at its disposal. While this commitment might possibly be disregarded by the Kremlin or not invoked by the Chinese, Moscow would probably honor it if subjected to strong Chinese pressures. It appears noteworthy, in this connection, that Soviet spokesmen have repeatedly publicized the existence of the treaty.

If the USSR decided not to react formally to US action, it is estimated that it would unofficially increase its aid to the Chinese, including unannounced employment of its own military forces, to whatever

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extent necessary to prevent the expulsion of Communist forces from Korea or the overt blow or disaffection of the Peiping regime. It would not be deterred from this course by the risk of global war. In fact, if the continuation of the Peiping regime in the Communist camp appeared at stake, it is estimated that the USSR would, under present conditions, not be deterred by the virtual certainty of global war.

The exact extent of such unofficial Soviet participation would depend upon the nature and effectiveness of the US measures.

(1) In the case of air bombing alone, Soviet air would probably participate directly in Chinese air operations. Particularly does it seem likely that the Soviet air force would defend Manchuria, where USSR security would be most directly affected and where the preliminary preparations appear already to have been made.

(2) In the case of a naval blockade alone, Moscow would take whatever steps it felt necessary, including economic aid and attacks on the blockading vessels or planes, to prevent the blockade from seriously undermining Chinese capabilities.

(3) Were economic sanctions to be imposed, the Kremlin would seek to overcome their effect, supplying, although with difficulty and at great cost, essential commodities from the Soviet bloc.

(4) If Nationalist troops on Formosa were prepared for an invasion of the Chinese mainland, Soviet propaganda would step up its vigorous protest against American "intervention" in Formosa. More importantly, the USSR would increase its contribution to the air, anti-aircraft, coastal and naval defense of China to the extent necessary to prevent success of the invasion.

(5) The concurrent application of all four measures would bring about a proportionate increase and extension of Soviet counteraction.

On the basis of NIE-3 and SE-2, it appears that, if the USSR should decide to employ, either formally or informally, all of its present capabilities in the Far East, it could, against presently available opposing forces: (a) expel the US from Korea, (b) ensure successful defense of the Chinese mainland against any force -- Nationalist or combined Nationalist-US -- that can at present be arrayed against it, (c) attain air

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supremacy over Korea, the Sea of Japan, and probably Japan proper, (d) attack the Japanese main islands with sufficient force to overrun Hokkaido and probably also Honshu, and (e) maintain communications between the Asiatic mainland and the Japanese islands.

Employment of all these capabilities by the Soviet Union would obviously result in an immediate enhancement of the Soviet power position. It would also, however, almost certainly precipitate global war. Unless, therefore, the Soviet Union desires the precipitation of global war, it probably will employ not its maximum capabilities but only such as appear required to offset a particular US action. If the USSR thus uses its capabilities in a limited fashion and, as a result, the US retains capabilities for continuing operations against China, Soviet participation in the manner outlined above would place the USSR under an increasingly severe strain. The ultimate effect of such strain cannot be determined but, assuming a prolonged and successful counteraction by the US, pressures of such magnitude might be generated for the Kremlin as to force it either (a) to extend the conflict globally, or (b) to abandon its aggressive plans in the Far East and perhaps in Europe. Of these two possibilities, it is estimated that the first would be the more likely.

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7. Western European Reaction.

Before taking a decision, the US would presumably discuss the four contemplated courses of action with its NATO allies, especially those which are participating militarily in the Korean conflict. The attitude of these countries would be governed almost entirely by considerations as to whether the US moves would (1) commit the US to a major military program in the Far East to the detriment of Western European defense; (2) involve the US directly or indirectly in war with Communist China; (3) bring about the further intervention of the Soviet Union with its attendant risks of general war.

(1) The Western European countries would probably agree to the air bombardment of Chinese bases in Manchuria provided it were in reprisal for extensive Chinese-Soviet air bombardment of Allied forces in Korea. They might demand UN approval for such measures but would not insist on it if the military situation in Korea made immediate action necessary.

(2) The Western European NATO allies would probably not support, at this juncture, the formal adoption of economic sanctions against Communist China. They would be of the opinion that strengthened controls over the shipment of strategic materials to China would be sufficient to prevent aid to China's military action in Korea and that the imposition of formal sanctions would only antagonize China and make more difficult a settlement of the present conflict. They might be willing to alter this attitude, however, in the event that further Sino-Soviet action in Korea threatened the collapse of the Allied military effort or if the US indicated that it would drop its proposal for a naval blockade and the use of Chiang Kai-shek's troops in return for such a concession.

(3) They would be rigorously opposed to a naval blockade of the China coast or to the use of Chiang Kai-shek's troops for an invasion of the mainland because, in their opinion, these would be actual war measures that extend beyond the Korean theater and could lead to war with China or, at least, might make necessary a considerable diversion of the US defense effort from Western Europe to the Far East.

In the event that the US should adopt any or all of these proposed measures in disregard of the advice of its allies, the Western European countries together with the UK, Canada, Australia, and New

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Zealand, would be confronted with a choice between three possible courses: (1) active support of the US position, (2) passive support, or (3) disassociation from the measures. In view of the necessity for preserving their common front with the US, they would probably give passive support to the US action. They would maintain their present forces in Korea but would not be inclined to increase them. Moreover, they would not engage their naval forces in a blockade of the China coast. They would probably give some support to the blockade by instructing their nationals that ships would navigate the China seas at their own risk.

The NATO countries would be considerably shaken, however, if the action in the Far East should drain off US resources to the point where commitments for the stationing of troops, the maintenance of air bases, or supplies of materials and equipment to Europe would be drastically reduced. Resulting fears for the exposure of Western Europe to Soviet aggression would probably lead to measures of appeasement such as refusal to go along with plans for the rearmament of Western Germany and a reluctance to approve stronger controls over the export of critical materials to the Soviet orbit countries. The adverse effect on public opinion would be expressed by the extension of neutralist sentiment.

If the US took the four contemplated courses of action in disregard of the advice of the European countries, and if the Soviet Union reacted to this by attacking US forces in the Far East, the Western European countries would not wish the United States to retaliate by waging war against the Soviet Union. If, however, the United States did wage war against the Soviet Union, the UK would, upon US request, almost certainly participate, and this in turn would render Western Europe's eventual involvement inevitable.

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